

Good afternoon, Chairman McCain, Senator Hollings, and members of the Committee. I am Tom Allegetti, President & CEO of The American Waterways Operators (AWO), the national trade association for the American tugboat, towboat, and barge industry. AWO's 375 member companies include the owners and operators of tugboats, towboats, and barges that move more than 800 million tons of America's cargo every year, including dry, liquid, containerized and specialty cargoes on the inland river system, the Atlantic, Pacific, and Gulf coasts, and the Great Lakes. We carry over 60 percent of U.S. grain exports, providing American farmers a safe, economical and environmentally-friendly way to stay competitive with foreign producers. We also move enough of the nation's coal to produce 10 percent of all U.S. electricity annually. AWO's members also operate the tugboats that provide shipdocking services in our nation's ports and harbors. The transportation of petroleum and petroleum products is a key segment of our industry's business: tank barges move 20 percent of the oil that fuels our economy and keeps our cars running and our homes warm. Powerful, state-of-the-art tugboats also provide tanker escort services to facilitate the safe movement of petroleum cargoes in busy ports and harbor approaches.

On behalf of AWO's diverse membership, thank you for the opportunity to testify at this hearing on the phase-out of single hull tank vessels that carry oil in bulk as mandated by the Oil Pollution Act of 1990 (OPA 90). The overriding message I want to leave you with today is this: **the law you passed 12 years ago is working.** Oil spills from U.S. tank vessels have declined to historic lows. American companies have invested more than a billion dollars in new double-hulled vessels to serve the U.S. energy transportation market. While the recent tanker spill in

Europe reminds us all of the inherent risks of oil transportation and the need for constant vigilance, you can be proud of the transformation you helped to bring about in the U.S. tank vessel industry. Today, less than one ten-thousandth of one percent of the oil moved by tank barge in this country is spilled. Today, more than two-thirds of the U.S. tank barge fleet is double-hulled, years in advance of the OPA-mandated phaseout schedule. Our job is not over: our goal, and your expectation, is zero spills and a one-hundred-percent double-hulled fleet. We come before you today firmly committed to achieving those goals.

Mr. Chairman, I can tell you that the U.S. tank barge industry is working hard to meet the demand of Congress, our customers, and the American public to move oil safely and securely, with not one drop entering our precious marine environment. In 1990, according to Coast Guard and Army Corps of Engineers' data, the U.S. tank barge industry moved 1.7 billion barrels of oil in U.S. waters. Of that total, 23,600 barrels were spilled. While this means that 99.99998 percent of the oil moved by barges in this country was delivered safely, no one would argue that the 23,600 barrels of oil that did enter the marine environment was acceptable. However, the record since 1990 tells an encouraging story: oil spills in the United States are today at a historic low. In 2000, the last year for which complete statistics are available, barges spilled 87 percent less oil than in 1990, with 3,180 barrels entering the water. That's not perfect, to be sure, but an 87 percent improvement is indisputably a trend line pointing in the right direction.

Oil Spill Reductions Result from a Full Array of Improvements

What is perhaps more encouraging is the story behind the numbers. Spills are a lagging indicator of oil transportation safety; they help us to evaluate the efficacy of the prevention

measures we have implemented in the past. Given that we have ten years of post-OPA 90 statistics to look back on, that's an appropriate report card to consider. But, if we look behind the statistics at the state of the oil transportation industry today, we see what might be considered some leading indicators, some harbingers of future improvements. The fact is that companies in the oil transportation business today have and are continuing to put into place a more comprehensive array of safety improvement and spill prevention measures than any time in the history of oil transportation by water. Taken together, these measures have produced a safer oil transportation system that offers the promise of continuing progress toward our ultimate goal of zero spills.

Perhaps the most significant change in the oil transportation industry today is the degree to which companies have embraced safety management systems that aim to reduce operational risks throughout their operations. The tugboat, towboat and barge industry has been a leader in this transformation. In December 1994, AWO's Board of Directors established the AWO Responsible Carrier Program, a code of practice for member companies. The Responsible Carrier Program establishes safe operating standards -- standards that exceed governmental requirements -- in the areas of management and administrative practices, vessel equipment and inspection, and human factors, such as training and watchstanding practices. In April 1998, in a tangible demonstration of the industry's commitment to leadership in marine safety and environmental protection, AWO's membership voted to make compliance with the Responsible Carrier Program a condition of membership in the association. Today, all members of AWO, and any company that seeks to become a member, must commit to complying with the Responsible Carrier Program and undergoing an independent, third-party audit within two years

of joining the association. This represents nothing less than a sea change in the character of our industry and its trade association.

Complementing the transformation of the oil transportation industry itself is a changed relationship between industry and government. Over the past twelve years, both industry and the Coast Guard have come to appreciate that we are bound together by the common, critically important goal of improved marine safety and environmental protection. Starting from the premise that we share common objectives, we have developed a reservoir of mutual trust and forged a constructive working relationship. We have also discovered a broader array of tools available to us to achieve our common goals. Today, both the industry and the Coast Guard recognize that regulations are just one of the tools that can be used to implement safety improvements. Clearly, regulations have their place, and where they do, we've learned that the regulatory development process can be approached cooperatively. More significantly, we have recognized that there are many opportunities to bring about safety improvements outside the regulatory process. The first-of-its-kind Coast Guard-AWO Safety Partnership was inaugurated in November 1995 for just that purpose -- not to replace the regulatory process, but to augment it and encourage companies to go beyond regulatory compliance.

Vessels are safer, as a matter of design, maintenance, and operation. Innovative new technologies are being phased into the fleet. "Z-drive" or "tractor" tugs capable of exerting propulsive power in all directions -- the maritime equivalent of the helicopter -- are transforming the fleet of shipdocking and escort tugs. In the coastal environment, articulated tug-barge units, or ATBs, are gaining recognition for their safety, fuel efficiency, and all-weather capability.

Developments in navigation and communication technology, including Automatic Identification System (AIS) technology, offer enhanced collision avoidance capability. Companies have implemented more rigorous maintenance programs to ensure that vessels and equipment remain as safe and functional on the water as they were designed to be in the shipyard.

The Coast Guard has estimated that 80 percent of accidents are the result of the human factor. Therefore, state of the art vessels and better practices are by themselves not enough. Industry safety would not be possible without qualified, experienced, well-trained vessel crews. That is why there is a commitment to see that vessel crews today are better trained and better prepared to do their jobs safely. Both the Coast Guard and the industry recognize that operational competence means more than the ability to pass a license exam. The Coast Guard has issued regulations establishing new licensing requirements for towing vessel operators that require a practical demonstration of operational skill as a prerequisite to obtain a Coast Guard license. The industry has also invested heavily in training to ensure that qualified crewmembers continue to hone and improve their skills throughout their careers. State-of-the-art training facilities and company training centers established by some of the nation's leading tank barge operators, demonstrate the industry's increasing recognition that training and professional development are good investments and an essential part of doing business safely.

All of these efforts -- many of them expensive and all of them requiring the highest level of commitment of both the public and private sector -- are working together to produce the significant decrease in oil spills that we have seen over the last decade.

Double Hull Fleet Modernization is Proceeding on Schedule

Even as government and industry sources agree that there is a surplus of tonnage on the market today -- more vessels than are needed to meet U.S. demand for oil transportation -- America's tank barge operators are leading the transition to an all-double-hull fleet. According to U.S. Coast Guard data, U.S. tank barge operators have built 607 new double-hulled petroleum barges for inland and coastal service since the Oil Pollution Act was passed in 1990. The pace of new construction has accelerated in recent years, with more than a quarter of this total -- 174 double-hulled barges -- built between 1999 and 2002. When looking at vessels of more than 5,000 gross tons, an OPA 90 threshold, the picture is just as bright. Government and industry sources indicate that approximately 50 of these larger vessels have been built since OPA 90 was enacted. In the last three years alone, 32 double hull vessels greater than 5,000 tons have been built or contracted for. Many companies hold options for construction of additional vessels, while some companies have plans for conversion of existing single hull vessels to a double hull configuration.

The capital investment required to overhaul the U.S. tank barge fleet is significant: a 30,000 barrel inland tank barge costs some \$1.45 million to build, while a 120,000-140,000 barrel coastal tank barge carries a price tag of \$15-17 million. Because a double-hull barge is much larger than a single hull with the same carrying capacity, vessel owners must often invest an additional \$9-10 million for a more powerful tugboat to move the larger barge. Retrofitting (adding a double hull to an existing single hull barge) can shorten delivery time by several months, but the cost remains high: some \$12-13 million for a 120,000-140,000 barrel barge. The cost of a state-of-the-art articulated tug-barge unit, or ATB, runs \$26-27 million.

Given the size of the capital outlay required, companies must weigh many factors in deciding when to build a new double-hulled vessel. Paramount is demand for oil transportation -- the strength of shipper demand, and the likelihood that freight rates will be sufficient to offset the cost of such a major investment. If demand is there, building will follow. Building vessels of any kind in the absence of demand hurts the industry, artificially depressing freight rates and undermining the industry's ability to shoulder the investment in modern, environmentally friendly vessels to meet future needs.

Government sources agree that U.S. tank vessel capacity exceeds demand for domestic oil transportation, and will continue to do so until at least 2004. The Government Accounting Office in 2000 found that "industry currently has more vessels than needed to meet the current shipping demand," and concluded that decisions on new double hull construction would likely await reduction of this overcapacity. The U.S. Coast Guard, after consulting with the Maritime Administration, reached a similar conclusion in its September 2001 *Report to Congress on the Progress to Replace Single Hull Tank Vessels with Double Hull Tank Vessels*, and noted that a number of U.S. flag tank vessels were then working in foreign trades because of overcapacity in the U.S. domestic market.

As American companies strongly committed to the U.S. market, the members of the American Waterways Operators have already made substantial investments in new double-hulled vessels, and stand ready to make additional investments to meet the nation's energy transportation needs, and to continue providing safe, environmentally friendly, and economically efficient service to U.S. shippers and consumers. I'd like to share just a few examples of AWO companies who

have, and will continue to, respond to the demands of the market and meet the requirements of OPA 90 in order to ensure the continued availability of domestic carrying capacity for petroleum products. These examples are representative of the commitment shared throughout our industry, and taken together, they help to paint the picture of an industry that is collectively expending more than a billion dollars in this effort.

In New England, which is heavily dependent on barge transportation of petroleum products, family owned companies like Bouchard Transportation Company of New York and Reinauer Transportation Company of New York and Massachusetts have invested hundreds of millions of dollars to ensure that their companies can continue to meet the needs of U.S. shippers and consumers in future generations. Bouchard, founded in 1918, has built seven new double-hulled barges, retrofitted three single hulls, and will take delivery of two new double hulls this year. The Bouchard family has invested some \$200 million so far, and will spend another \$70-80 million by the time its fleet replacement program is complete. Reinauer Transportation, founded in 1923, has spent \$200 million on its own fleet modernization program, which includes two new state-of-the-art ATBs and a third barge scheduled for delivery this year. Reinauer will have to spend tens of millions more to complete the replacement or retrofit of the company's remaining single-hull barges.

Similar investments are taking place throughout the tank barge industry, by companies that are making a tangible commitment to serve the U.S. domestic market for the future. On the West Coast, Crowley Marine Services, a family company in business for more than a century, has spent \$130 million to date on a fleet replacement program that includes four new double-hulled

ATBs. Canal Barge Company of Louisiana, which will celebrate its 70th anniversary in December of this year, has built 69 double-hulled inland tank barges since the passage of OPA 90, at a cost of more than \$70 million. The company will retire its only remaining non-double-hulled barge -- a double-sided, single-bottom barge in limited service -- in the near future.

This is real money, being spent by real people to comply with OPA 90 and serve the energy needs of the American economy in a safe and environmentally responsible way. The stories of these companies, and those of the dozens of other American tank barge operators, large and small, that are making similar investments are sometimes overlooked in dry macroeconomic analyses and bar graphs showing petroleum movements and fleet tonnage.

As Congress considers the state of OPA 90 implementation today, and the progress of the transition to a double-hulled fleet, it is worth reflecting on these stories and the commitment to the U.S. market they demonstrate. It is also worth noting that, as a practical matter, the marketplace is accelerating the single-hull retirement schedule to a degree few of us envisioned in 1990. This has happened because shippers are demanding that their cargoes be moved in double-hulled vessels, and vessel owners who see themselves as long-term players in the U.S. market are building double-hull vessels to satisfy the demands of their customers, both now and for the future. Congress helped bring this success story about by providing, in OPA 90, for an orderly phase out schedule that allowed market forces to work – and work they have. Going forward, Congress can best support U.S. vessel owners in meeting their obligations under OPA 90 by exercising its oversight role and making clear its continuing commitment to transitioning to an all-double hull fleet as provided for in OPA 90.

Conclusion

In summary, Mr. Chairman, the single hull phase-out schedule contained in OPA 90 has provided stability and certainty to the process of transitioning our petroleum carrying capacity from a single hull fleet to one that is entirely double hulled. For over a dozen years it has been, and it continues to be, the expectation that the existing schedule will remain in effect. Against that backdrop, and with a substantial commitment of resources, American vessel owners are making decisions to invest in new double hull capacity based on a variety of economic factors. The pace of that construction has increased in recent years. The evidence shows that capacity will rise to meet demand, but also that new vessels will not be constructed or contracted for until there is an economic basis for their construction. Subject to these economic considerations, the domestic tank barge industry is transforming its vessels into a fully double-hulled fleet.

Perhaps the best news is that oil spills in U.S. waters have declined dramatically and OPA 90 is working to promote safer transportation of petroleum products and better protection of our marine environment. This is being accomplished through compliance with new regulatory requirements as well as a strong industry commitment to new technologies, safer vessels, constructive partnership with government, comprehensive safety management systems, and improved training for vessel crews. The breadth of the transformation of the U.S. tank barge industry – a transformation that goes beyond the statutory requirements of OPA 90 -- demonstrates our commitment to the shared goal of protecting our environment while meeting Americans' need for the safe transportation of petroleum products.

Mr. Chairman, thank you for the opportunity to appear before the Committee today. I would be pleased to respond to any questions the Committee may have.